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1220 L Street, Northwest
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Monthly Statistical Report

Prepared by the Finance, Accounting, and Statistics Department

Vol. 13, No. 8

SEPTEMBER 13, 1989

AUGUST 1989

SUMMARY

Continuing this year's more rapid rate of decline, domestic crude oil production fell 6.6 percent, or more than half a million B/D, in August compared with one year earlier. This year's acceleration in the rate of decline apparently is not due only to the recent downturn in Alaskan production. Preliminary data indicate that lower 48 production, as well, has been declining more rapidly during the first eight months of this year than as recently as last year's second half.

This, combined with the reversal in Alaska's previous upward trend, indicates that overall U.S. crude oil production has been falling at a rate of 5 to 6 percent per year so far in 1989, even after adjusting for temporary production curtailments in Alaska. This rate compares with an average annual decline of 3.2 percent for the previous three-year period and an average increase of a little less than 1 percent for the 1980-85 period.

Total deliveries fell slightly in August, declining 0.3 percent from one year earlier. The most important factor contributing to the decline was residual fuel oil's substantial, partly weather-related drop of 18 percent, though a decrease for the "other oils" category of almost 4 percent also played a role. Gasoline deliveries, though rising 1.4 percent year-to-year, were also weaker than at first apparent because the comparison was against below-trend deliveries a year ago.

However, distillate deliveries jumped 7.6 percent, and kerosine jet fuel, 6.8 percent, both increases well above what other indicators of consumption would suggest. Despite the month's year-to-year decline in total deliveries, consumption for products excluding residual fuel oil is still estimated to be growing slightly, at a rate of about 1 percent.

Imports in August remained near July's already strong level of 8.6 million B/D, and total imports' share of domestic deliveries stayed near the 50 percent mark as well. Although roughly 200 to 300 thousand B/D of August's imports represented supplies above those needed to meet current deliveries and maintain typical inventory patterns, the trend in imports has nevertheless been upwards. For the first eight months of 1989, imports were up 10.4 percent or about 750 thousand B/D.

At refineries, emphasis shifted from gasoline towards distillate during August. But despite distillate production levels up nearly 5 percent from last August, strong deliveries kept the inventory increase for that product to 4 million barrels, about half the average August increase of recent years.

PRODUCT SUPPLIED [1]

Gasoline

DELIVERIES WEAKER THAN THEY APPEAR. August's gasoline deliveries rose 1.4 percent, year to year —but because deliveries a year ago were an estimated 150 thousand B/D below trend, this August's deliveries were weaker than might first appear. If compared instead against last August's trend, this August's deliveries would have shown a small decline of about half a percent.

Although it seems unlikely that actual consumption was as weak as deliveries for the month, August's results continue to suggest that consumption growth has slowed in recent months. Miles traveled for June, the latest month available, increased 2.4 percent, year-to-year, continuing the more moderate growth that has become increasingly evident so far this year. Last year, travel had risen about 3.5 percent.

Though consumption growth seems to have been moderating, there have been several positive factors for gasoline consumption, as well, in recent months. Though slowing, the economy seems, at least from current data, to be doing at least moderately well. Disposable personal income, adjusted for inflation, has been up about 4 percent year-to-year in recent months, less than half a percentage point below last year's annual increase. And retail gasoline prices, which had jumped this past April and May and tempered demand somewhat, by August had declined again by about 7 cents per gallon. In fact, if adjusted for inflation, August's gasoline prices are at roughly the same level as one year earlier.

With the grade selection currently available to motorists, however, not all price effects have been in the form of changes in the level of consumption. This had been illustrated this past spring, when premium unleaded's share fell to about 22 percent in May from around 25 percent three months earlier, a significant drop in view of this grade's otherwise nearly steady

API ESTIMATES

	AUGUST		YEAR-TO-DATE	
	Million B/D	Percent Change	Million B/D	Percent Change
Total domestic deliveries	17.4	(0.3)	17.2	0.7
Crude production[2]	7.5	(6.6)	7.7	(6.5)
Total imports[3]	8.6	16.3	8.0	10.4
Stocks (million bbl)[3]	1,061	(1.0)	na	na

upward trend over the previous three years. In the past, price declines also have often been associated with increased shares for higher-octane grades. However, data that would show whether the most recent price decline ha... ...ar effect are as yet not publicly available.

Unleaded regular, however, still accounts for the bulk of gasoline sales, with a share approaching two thirds of the market, while mid-grade unleaded, even with recent gains, is currently estimated to account for only a little over 6 percent. Meanwhile, leaded gasoline's share has continued to shrink. For August, its share fell to less than 10 percent of deliveries for the first time.

Distillates

LARGE INCREASE CONTRASTS WITH LONGER-TERM TREND.

As in July, August's distillate deliveries again rose substantially, increasing 7.6 percent compared with one year earlier. Nevertheless, other indicators continue to suggest that consumption growth is not as strong as the recent trend in deliveries. With the moderation in the economy's growth, both truck diesel usage and industrial consumption can be expected to be growing at a slower rate than last year. Rail transport has continued to show small decreases from a year ago, with declines in most traffic categories.

Furthermore, the recent strength in distillate deliveries has been partly counterbalanced by smaller increases and even declines earlier this year. For the first eight months, distillate deliveries have risen only 0.9 percent. However, adjusting for the first quarter's unusually warm weather, the year-to-date increase amounts to about 2 percent, close to the current 1.5 to 2 percent rate estimated for underlying consumption.

Residual Fuel Oil

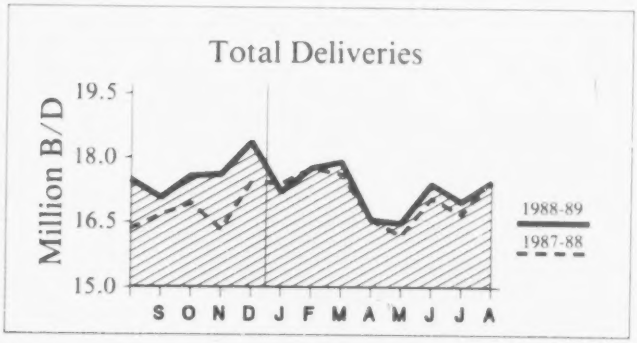
DELIVERIES FALL OVER 18 PERCENT.

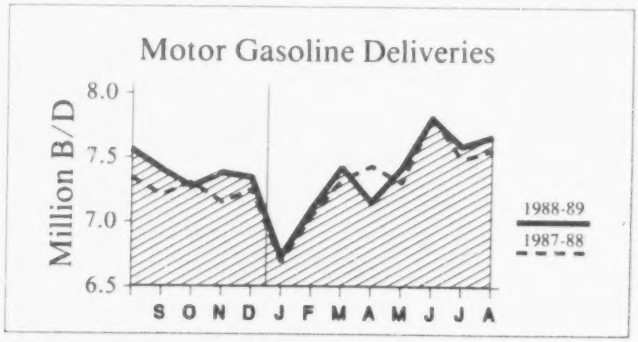
Deliveries of residual fuel oil are estimated to have been 1,080 thousand B/D for August, reflecting a decline of 8.0 percent from July and a decrease of 18.2 percent from August 1988. Although last year's deliveries were high as a result of low prices and warmer-than-normal weather, this month's deliveries estimate appears to reflect weakness in all of the major sectors.

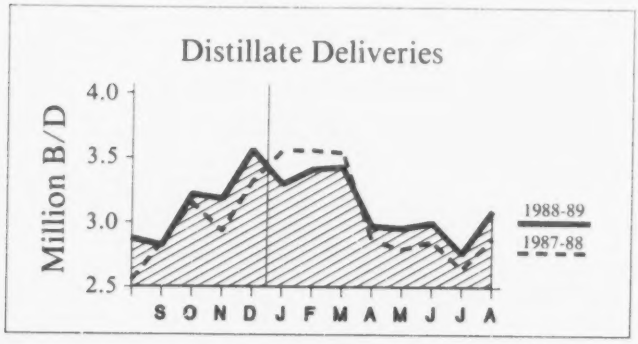
The electric utility sector is believed to account for much of the year-to-year decline. As a result of unseasonably cool weather, electricity output in August is estimated to have declined almost 5 percent from levels of last year, in contrast to the more than 3 percent average annual increase of the last several years. Moreover, the decline in deliveries to this sector, which is estimated to be between 20-25 percent, would have been even larger had it not been for the sizeable inventory build reported to have occurred at some utilities.

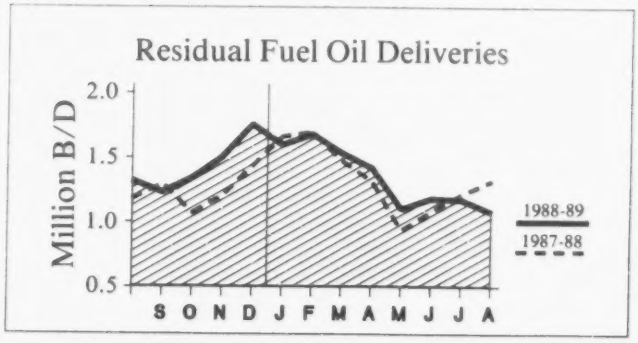
Deliveries to the industrial sector are also believed to have declined from levels of last year. Part of that decrease, however, is reported to reflect reductions in secondary stocks. Nonetheless, direct consumption is also believed to have declined by perhaps 2 to 3 percent from levels of last year as a result of the availability of more competitively-priced natural gas.

Although bunker fuel markets were slightly more active than last month, deliveries to this sector are believed to be substantially below levels of last year, largely as a result of the previous August's very high levels of deliveries. The East Coast markets are believed to have been the most active, while Gulf and West Coast activity is reported to have been more subdued.









Kerosine Jet Fuel

DESPITE FLAT AIR TRAFFIC, DELIVERIES JUMP.

Kerosine jet fuel deliveries experienced another strong increase in August, following a substantial increase in July. As with distillates, the 6.8 percent surge in deliveries seems to overstate actual fuel usage, since the trend in miles flown has continued to be flat versus one year earlier.

Aircraft mileage is largely dependent on passenger traffic, which accounts for nearly 95 percent of miles flown in the U.S. Since passenger traffic has continued to be roughly flat compared with one year earlier, damped in part by higher average fares, overall fuel usage is estimated to be flat as well.

In terms of ton-miles, however, cargo, much of it carried on passenger flights, takes on a larger share. As cargo traffic has continued to grow, its share has risen to about 26 percent of air transport ton-miles in the first half of 1989. This is up by more than a percentage point from one year earlier and higher by about 6 percentage points compared with its 1985 share of about 20 percent.

Other Oils

DROP IN DELIVERIES MAY REFLECT WEAK CONSUMPTION.

August's deliveries of other oils are estimated to have been 4,197 thousand B/D, representing an increase of 2.4 percent from July but a decline of 3.9 percent from last year. Although part of the year-to-year decline stems from last August's high deliveries, the most recent estimate suggests a slight downward trend in other oils consumption during the past few months.

Deliveries of liquid petroleum gases were reported to have declined as a result of scheduled downtime and weather-related curtailments at some petrochemical facilities. Nonetheless, the slackening of the pace of deliveries of these products apparently also reflects ongoing softness in the demand for olefins. Propane, however, apparently continues to be the feedstock of choice. Although deliveries of that product were reported to have declined as well, a reported drawdown in non-primary propane inventories suggests that actual demand may have moderated only slightly.

Asphalt and road oil deliveries, after adjustment for seasonal factors, are reported to have continued to recover from the depressed levels of the early summer. Because the wet weather had curtailed road building and maintenance during much of the summer, the recent dry spell has apparently resulted in a spurt of activity during the month. Because of continuing budgetary problems in several regions, however, demand apparently continues to trail that of last year.

SUPPLY

Production

CRUDE OIL DROP ACCELERATES SO FAR THIS YEAR.

Crude oil production in August was off by more than half a million B/D or 6.5 percent, with Alaskan production sharing in the decline in rough proportion to its one-quarter share of U.S. output. Lower 48 production fell an estimated 377 thousand B/D, year to year.

Based on preliminary data, it now appears that the acceleration in the decline in production this year is attributable not only to the reversal of Alaska's previous upward trend, but to a greater rate of decline in the lower 48 as well. Production outside Alaska had dropped sharply during 1986 along with wellhead prices, with the decline moderating in 1987 as prices stabilized and even rose somewhat. However, by the second half of last year, the lower 48's decline rate had increased to roughly 330 thousand B/D year to year. For the first eight months of 1989, the lower 48 production's decline, based on currently-available data, has grown to nearly 380 thousand B/D—suggesting that the decline trend this year may have been at least as great, if not greater, than late last year.

Alaskan production, too, once adjusted for temporary factors, would have fallen about 80 thousand B/D versus last year for the first eight months. Thus, the U.S. production decline as a whole has recently been running at more than 450 thousand B/D or 5 to 6 percent per year. This compares with an average decline rate of about 3.2 percent per year over the previous three years; for the 1980-85 period, when crude prices had been substantially higher than more recently, crude oil production had averaged an increase of a little less than 1 percent per year.

Imports

UP OVER 10 PERCENT FOR THE FIRST EIGHT MONTHS.

Total imports for August remained near July's high level, and at 8.6 million B/D, their share was still near the halfway mark at 49 percent of domestic deliveries. As in July, a portion of August's imports—approximately 200 to 300 thousand B/D—represented volumes beyond what would have been needed to meet current deliveries and fulfill normal inventory patterns.

Nevertheless, the underlying trend in imports has been upwards because of falling domestic production and rising consumption, and over the longer run, deviations in inventory patterns such as those of recent months tend to balance out, often making only a minor difference in imports comparisons. Adjusted for inventory changes, the growth in imports for the first eight months of this year would have amounted to 670 thousand B/D or a little more than 9 percent versus one year earlier. This was only slightly less than the actual increase of 10.4 percent.

Despite the strong increase in imports overall, which was entirely accounted for by higher imports of crude oil, product imports weakened in August. The decline for products amounted to 10.5 percent or 242 thousand B/D. Imports of gasoline and components were off by nearly 110 thousand B/D from strong levels a year ago; residual fuel oil imports, reflecting the weakness in deliveries for that product, dropped over 140 thousand B/D. Distillate imports, however, were about even with last August's levels.

Refinery Operations

YIELDS SHIFT TOWARDS DISTILLATE.

Developments in light-product yields for August reflected the recent pattern in deliveries, with emphasis shifting away from gasoline towards distillate. Gasoline output declined 1.6 percent from last August's high level to 7.1 million B/D, while distillate rose 4.6 percent. Gasoline's decline followed a June-July average which had set new records for summer gasoline production despite growth in deliveries which had not been particularly strong. August's 2.9 percent increase for residual fuel oil production, however, contrasted with that product's substantial decline in deliveries.

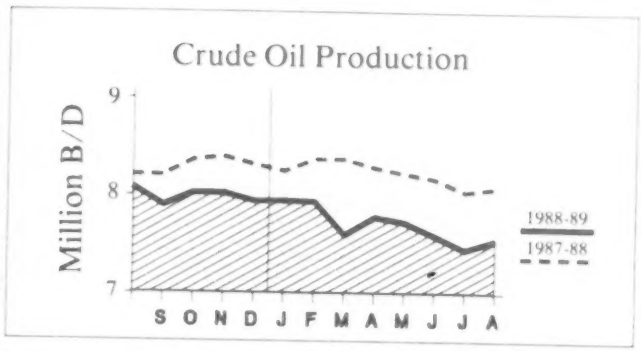
Overall, input to distillation units was up 0.8 percent from last August's already-strong levels. Utilization calculated using the traditional base of "operable capacity" exceeded 90 percent—but utilization of capacity in actual operation averaged even higher during August, at an estimated 93 percent.

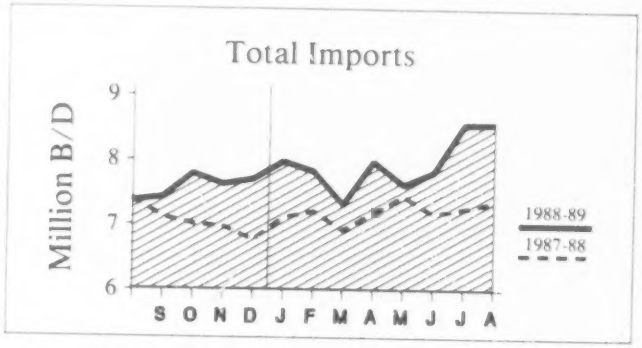
Inventories

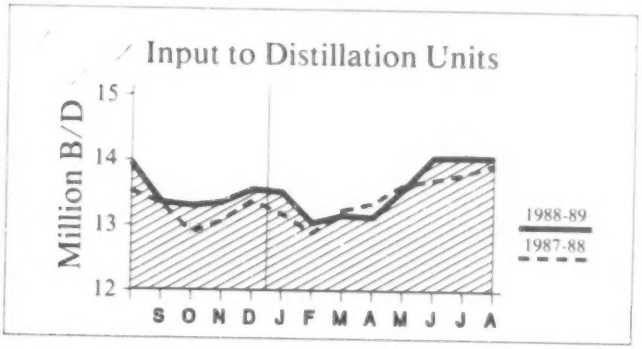
TOTAL STOCKS RISE MORE THAN AVERAGE.

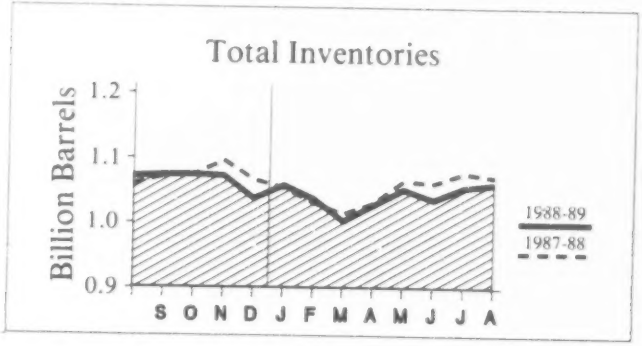
As in July, total stocks in August rose more than seasonally for the month. The 6 million barrel rise contrasted with a slight average decline for August in recent previous years. Crude oil stocks rose 4 million barrels for the month, and at 336 million barrels, were near the middle of the range of the past twelve months.

Gasoline stocks declined 9 million barrels in August, somewhat more than the recent-year average of about 3 million barrels for the month that ends the peak driving season. For distillate, despite high levels of refinery production, strong deliveries kept the rise in that product's inventories to 4 million barrels, about half the average increase of the previous five years. Distillate inventory levels at the end of August were 117 million barrels, towards the lower end of the recent historical range of 113-138 million barrels.









1/ Total supply, i.e., production plus imports adjusted for net stock change is equal to total products supplied from primary storage. Total products supplied from primary storage less exports is equal to total domestic products supplied. Information contained in this report is derived from information published in the API Weekly Bulletin and is based on historical analysis of the industry. All data reflect the most current information available to the API and include all previously published revisions.

2/ Includes lease condensate.

3/ API data do not include crude oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR (according to the U.S. Department of Energy, the SPR held approximately 575 million barrels as of August 31, 1989).

ESTIMATED UNITED STATES PETROLEUM BALANCE

(Daily Average in Thousands of 42 Gallon Barrels)

Products Supplied/Supply From Primary Storage	AUGUST			YEAR-TO-DATE		
	1989[1]	1988[2]	% Change	1989[3R]	1988[2]	% Change
Products Supplied:						
Total motor gasoline	7,660	7,556	1.4	7,360	7,330	0.4
Finished leaded motor gasoline*	759	1,324	(42.7)	914	1,397	(34.6)
Finished unleaded motor gasoline*	6,901	6,232	10.7	6,446	5,933	8.6
Naphtha-jet	226	204	10.8	209	211	(0.9)
Kerosine-jet	1,321	1,237	6.8	1,260	1,225	2.9
Distillate fuel oil	3,090	2,873	7.6	3,112	3,083	0.9
Residual fuel oil	1,080	1,320	(18.2)	1,343	1,337	0.4
All other oils[4]	4,197	4,366	(3.9)	4,095	4,059	0.9
Reclassified[5]	- 136	- 74	83.8	- 167	- 152	9.9
Total domestic products supplied	17,438	17,482	(0.3)	17,212	17,093	0.7
Exports	882	814	8.4	844	831	1.6
Total products supplied	18,320	18,296	0.1	18,056	17,924	0.7
Supply:						
Domestic production:						
Crude oil[6]	7,545	8,079	(6.6)	7,693	8,224	(6.5)
Natural gas liquids	1,557	1,616	(3.7)	1,608	1,614	(0.4)
Other supply[7]	841	1,034	(18.7)	894	896	(0.2)
Total domestic supply	9,943	10,729	(7.3)	10,195	10,734	(5.0)
Imports:						
Crude oil, total	6,504[10/]	5,064[10/]	28.4	5,701[10/]	4,979[10/]	14.5
Canadian	613	708	(13.4)	623	691	(9.8)
Other	5,891	4,356	35.2	5,078	4,288	18.4
Products, total	2,055	2,297	(10.5)	2,255	2,229	1.2
Residual fuel oil	439	581	(24.4)	638	584	9.2
Other	1,616	1,716	(5.8)	1,617	1,645	(1.7)
Total imports	8,559	7,361	16.3	7,956	7,208	10.4
Total supply	18,502	18,090	2.3	18,151	17,942	1.2
Stock change, all oils	+ 182	- 206	XXXX	+ 95	+ 18	XXXX
Refinery Operations						
Input to crude oil distillation units	14,058	13,953	0.8	13,575	13,474	0.7
Operable capacity	15,576	15,958	(2.4)	15,653	15,924	(1.7)
Refinery utilization (%)[8]	90.3%	87.4%	3.3	86.7%	84.6%	2.5
Crude oil runs	13,876	13,752	0.9	13,390	13,254	1.0

Stocks (millions bbls.)	1989		1988[2]	% Change from ...	
	Aug. 31[9]	Jul. 31[9]	Aug. 31	Previous Month	Year Ago
Crude oil [10/]	335.8	332.0	333.6	1.1	0.7
Unfinished oils	105.7	106.9	111.4	(1.1)	(5.1)
Total motor gasoline**	217.7	226.2	220.1	(3.8)	(1.1)
Finished leaded motor gasoline*	22.2	24.4	44.5	(9.0)	(50.1)
Finished unleaded motor gasoline*	156.5	161.9	139.0	(3.3)	12.6
Naphtha-jet	6.2	6.4	6.9	(3.1)	(10.1)
Kerosine-jet	41.7	41.5	39.7	0.5	5.0
Distillate fuel oil	116.8	112.9	125.7	3.5	(7.1)
Residual fuel oil	42.2	41.9	38.0	0.7	11.1
All other oils	194.6	187.3r/	196.0	3.9	(0.7)
Total all oils	1,060.7	1,055.1r/	1,071.4	0.5	(1.0)

1/ Based on API estimated data converted to a monthly basis.
2/ Source: U.S. Department of Energy.
3/ Source: January-June, U.S. Department of Energy, July-August, API.
4/ Includes crude losses.
5/ Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from total domestic products supplied.
6/ Includes lease condensate.
7/ Includes Unaccounted-for crude oil, Refinery input of other hydrocarbons, and Processing gain.
8/ Represents "Input to crude oil distillation units" as a percent of "Operable capacity."
9/ Derived by interpolating API weekly stocks data.
10/ Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.
R/ Revised.
* Included in motor gasoline.
** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.